

# INTERNAL CONTROLS

Title I Technical Assistance Session  
School Improvement Grant Programs  
May 11, 2012

Massachusetts Department of  
ELEMENTARY & SECONDARY  
EDUCATION



# Presentation Topics

- ★ Internal Control Defined
- ★ Time and Effort Reporting
- ★ Auditing
- ★ Allowable Costs
- ★ Procurement Controls
- ★ Inventory Controls & Equipment Controls
- ★ Tips for TI Directors & Business Managers



# What is Internal Control?

## A Non-Technical Definition:

*An intentional practice or procedure, prescribed by management, designed to eliminate or minimize organizational errors and fraud.*



# Internal Control Principles

- ★ It is a process
- ★ It is established, maintained and monitored by people at levels
- ★ It must be cost effective
- ★ It is the responsibility of all employees



# Internal Controls

All recipients of federal funds must have controls that:

- ★ Ensure federal money is spent correctly
  - Transactions properly recorded and accounted for
- ★ Prove federal money is spent correctly
  - Transactions are executed in compliance with laws, regulations, and provisions of contracts or grants
- ★ Safeguard property purchased with federal money
  - Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition



# Internal Controls

- ✓ Purchase Orders: should indicate that an item or service was authorized prior to purchase
- ✓ Information on Invoices: should describe the item or service purchased and its designated purpose
- ✓ Payment of Invoices: should ensure that expenditures match agreed upon charges with purchase orders and vendor contracts
- ✓ Vendor Contracts – should document the activity or item being purchased



# Internal Controls

- ✓ Equipment records – should indicate up to date equipment lists, inventory lists with accurate location information and physical inventory at least once every two years
- ✓ Procedures to Draw Down Funds: should have procedures to draw down funds from ESE within the allowed time periods
- ✓ Title I Set-Asides: should show the allocation and distribution of funds from Title I set-asides “Form 2”
  - SES and Choice are no longer mandatory -



# Internal Controls

- ✓ Budget Process – should have financial information that compares actual expenditures to the amounts budgeted (Business Manager tracks). All Principals should have a copy of their Title I school budget.
- ✓ Carryover of Title I Funds: should have records to show the amount of carryover and use of Title I funds





# Time and Effort Reporting

- ★ Districts must maintain auditable "time and effort" records that show how each Title I employee spent his or her compensated time.
- ★ Records are written, after-the fact (not estimated or budgeted).
- ★ Time and effort records must be prepared by Title I staff with salary charged directly to:
  - (1) A federal award,
  - (2) Multiple federal awards, or
  - (3) To any combination of a federal award and other federal, state or local fund sources.



# **Time and Effort Reporting – Semi-Annual Reports**

- ★ Full-time staff
- ★ Each district must maintain copies of signed semi-annual certifications documenting that staff work solely in activities supported by the Title I grant.
- ★ See sample Title I Semi-Annual Certification Form



# **Time and Effort Reporting – Monthly Reports**

- ★ Split-time staff – Work on Title I and other activities
- ★ Each district must submit documents that describe time spent on Title I and other activities
- ★ See sample Monthly Time and Effort Report for Split-Funded Staff



# Time and Effort Reporting – Stipends and Other Payments

- ★ Stipends (and other supplemental contracts) must also be reported.
- ★ Record stipends on semi-annual certifications or monthly reports, in the margin, whichever is utilized for the particular employee.
- ★ Alternatively, permitted documentation includes
  - A signed supplemental contract that stipulates Title I work activity,
  - Sign-in attendance logs approved by the supervisor (e.g., pay for professional development activities, after school activities, etc), and
  - Employee time/pay slips that specify "Title I" and are approved by the supervisor.







# Title I Audits

What does the auditor look for?

- Deficiencies in internal controls
- Noncompliance with laws and regulations
- Questioned costs greater than \$10,000
  - Unallowable costs
  - Undocumented costs
  - Unapproved costs
  - Unreasonable costs



# What is an Audit Finding?

- ★ “Findings” are significant issues noted by the auditor that are disclosed in your audit report, which is a public record.
- ★ Your district must prepare a corrective action plan to resolve the issue.
- ★ Your district may be asked to repay questioned costs to the grantor agency.





# Statistics on MA Single Audit Findings

FY11 Commonwealth of Massachusetts  
Common Single Audit Findings:

4%	Use of Funds
4%	Unallowable Costs
4%	Procurement
11%	Cash Management
29%	Time and Effort
50%	Reporting/Recordkeeping



# Allowable Costs

To be allowable, a cost must:

Be reasonable for the performance of the award and be allowable in accordance with OMB Circular A-87.

[http://www.whitehouse.gov/omb/circulars\\_a087\\_2004/](http://www.whitehouse.gov/omb/circulars_a087_2004/)

All costs must be **necessary and reasonable**

- Must be necessary for the performance or administration of the grant
- Must follow sound business practice
- Fair market prices
- Act with prudence under the circumstances
- Do I really need this?
- Do I have the capacity to use what I am purchasing?
- Did I pay a fair rate? Can I prove it?



# Practical Question

Is the proposed cost consistent with the underlying needs of the program?

★ Data-driven decision making

★ Target funds to areas of weakness



# **Procurement System**

*(the acquisition of goods & services)*

- ★ Open and Full Competition
- ★ Written Policies & Procedures
- ★ Vendor Selection Process
- ★ Policies and Procedures
- ★ Contract Administration System
- ★ Protest Procedures



# Procurement

## Common problems:

- No documentation
- Invoice predates purchase order
- Lack of description in contracts/invoices
- Lack of approval over payment process
- Inadequate segregation of duties
- Conflicts of interest



# Period of Availability of Federal Funds

- ★ Controls should be in place to ensure grant funds are:

Encumbered/expended in accordance with the timelines of the respective grant agreement.



# Inventory Controls

- ★ LEA Title I Office & Title I school will maintain a current and accurate inventory record of equipment purchased with Title I funds (including purchases for private school services).
- ★ Inventory Listing should include equipment that is non-consumable with a life of more than one year.



# Inventory Management System

- ★ Track equipment (and attractive items)
- ★ Supplies
- ★ Inventory at least once a year
- ★ Protect against unauthorized use
- ★ Investigate lost, stolen or damaged property
- ★ Disposition rules on file





The screenshot displays a Microsoft Excel spreadsheet titled "EquipmentInventoryControlProcedureForm [Read-Only] [Compatibility Mode]". The ribbon at the top includes tabs for Home, Insert, Page Layout, Formulas, Data, Review, and View. The Home tab is active, showing options for Clipboard, Font, Alignment, Number, Styles, Conditional Formatting, Format as Table, Cells, and Editing.

The spreadsheet contains the following text:

- Row 1:** Title I Equipment Inventory Control Procedure (for equipment purchased with Title I fund code only)
- Row 2:** Physical Inventory Listing
- Row 3:** Organization (such as Office or School Location) \_\_\_\_\_
- Row 4:** Inventory For: \_\_\_\_\_

	A	B	C	D	E	F	G	H	I	J
6	Inventory Control Number	Fixed Asset Number	Item Description	Purchase Cost	Serial Number	Purchase Date	Person of Custody	Room Number Location	Condition of Item	Date of Reconciliation _____
7										
8										
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The bottom status bar shows "Ready" and the taskbar includes icons for Start, Internet Explorer, and other applications. The system clock indicates 4:01 PM.

# Sample Fixed Asset Listing

EquipmentInventoryControlProcedureForm [Read-Only] [Compatibility Mode] - Microsoft Excel

Fixed Asset Number	Item Description	Purchase Cost	Serial Number	Purchase Date	Location
XYZ008	Desk	\$ 1,174.50	ABC130	7/22/05	512-A
XYZ010	Computer	\$ 1,453.82	ABC132	4/1/05	512-A
XYZ012	LapTop Computer	\$ 1,610.22	ABC134	9/21/05	512-A
XYZ013	Computer	\$ 1,475.00	ABC135	9/22/05	700-A
XYZ014	Computer	\$ 1,500.00	ABC136	9/22/05	512-A
XYZ015	Computer	\$ 1,400.00	ABC137	9/22/05	512-A
XYZ016	Computer	\$ 1,400.00	ABC138	9/22/05	512-A

Physical Listing Fixed Asset Listing

# Equipment Controls

Must have adequate controls to account for:

- Location of equipment
- Security of equipment
- Property records
  - Description, serial number, acquisition date, cost
- Physical inventory
  - Must be performed at least every two years
- Control systems to prevent loss, damage, and theft



# Travel Expenses

Travel....

- ★ Documentation
- ★ Purpose of travel
- ★ Receipts
- ★ Reasonable and necessary



# Financial Management System

- ★ Track funds
- ★ Complete Financial Reporting
- ★ Reliable Data
- ★ Budget Reconciliation
- ★ Internal Controls
- ★ Cash Management



# Tips for T1 Directors & Business Managers

Gather and summarize grant information

- Clean and organized records to give to auditors

Document your policies and procedures

- Documentation drives quality and compliance

Know where to find the OMB Circular A-133. This supplement lists 14 areas of compliance that auditors are expected to review when performing an audit.

[http://www.whitehouse.gov/omb/circulars/a133\\_compliance\\_supplement\\_2010](http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2010)

**Make sure the employees assigned to Title I understand the grant requirements to ensure compliance.**



# Questions?



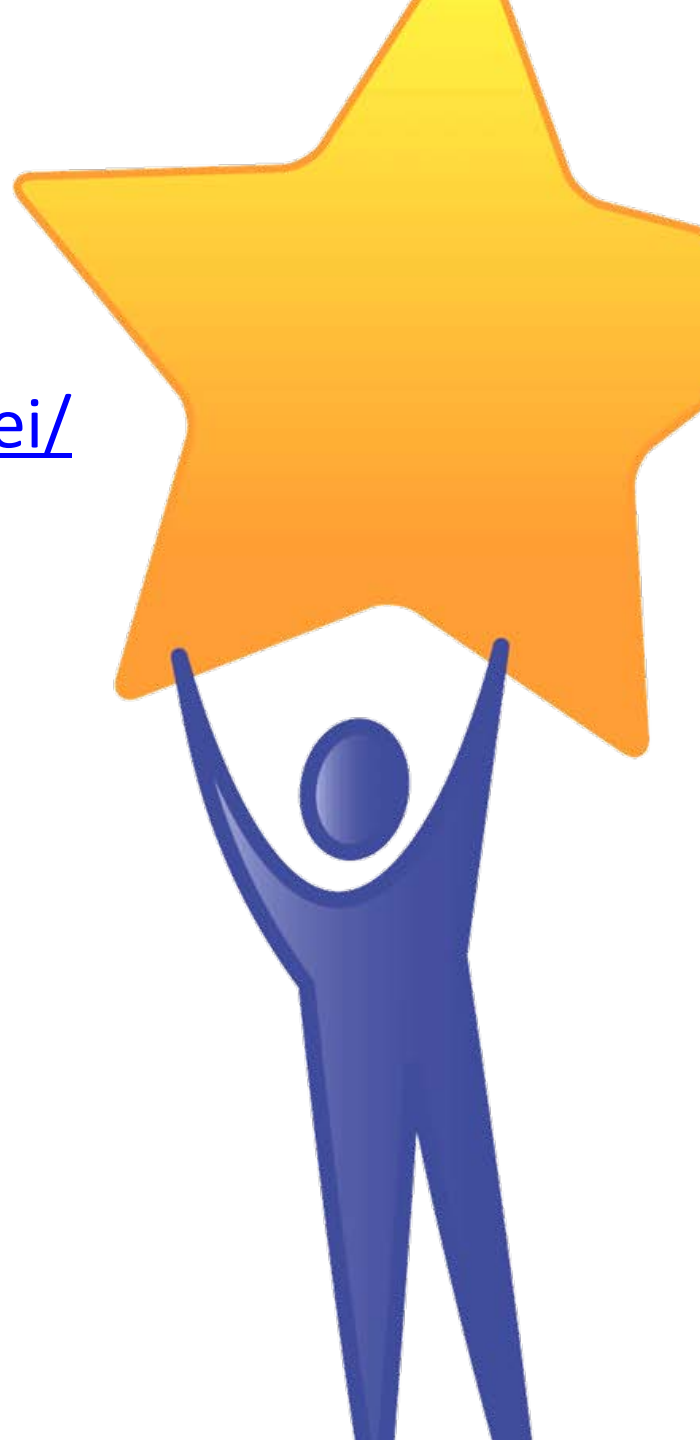
# Contact Information

Website: [www.doe.mass.edu/titlei/](http://www.doe.mass.edu/titlei/)

Email: [titlei@doe.mass.edu](mailto:titlei@doe.mass.edu)

Phone: 781-338-6230

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# **TITLE I COMPARABILITY**

## **Determinations & Reporting**

Title I Technical Assistance Session  
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# Presentation Topics

What is Comparability – Definition

Annual Requirement

- Written assurance (policy & procedures)
- Comparability determinations

District Policy & Procedures for Comparability

Comparability Instructions & Forms

Completion of Forms

Submission of Comparability Reports to ESE

Questions/Comments



# Comparability is a Test of Fairness

Schools receiving federal Title I funds must receive state and local funds **comparable** to the state and local funds given to non-Title I schools. In other words, Title I schools must be getting their fair share of state and local funds before they receive Title I funds. Title I funds, by law, are therefore **supplemental** to state and local funds.

Comparability is **required** by the **No Child Left Behind Act of 2001**.



# Annual Requirement

## Written Assurance

- Massachusetts Department of Elementary and Secondary Education FY2012 Grant Assurances Document. Original to ESE and signed copy on file in the district.
- District wide salary schedule
- Policy to ensure equivalence among schools in teachers, administrators, and other staff
- Policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies

## Timing

- Use October student enrollment and October staffing data
- If Title I schools are not comparable ~ staffing changes need to be implemented by November 30<sup>th</sup>.



# District Policy & Procedures for Comparability

**All districts must have written policies and procedures for complying with comparability requirements, documenting:**

- Office responsible for written assurance
- Office responsible for making comparability calculations and measure and process used to determine whether schools are comparable
- District timeline for demonstrating comparability
- How and when district makes adjustments in schools that are not comparable

Samples online at: [www.doe.mass.edu/titlei/monitoring/](http://www.doe.mass.edu/titlei/monitoring/)



# Meeting Comparability

- ★ LEAs must conduct calculations every year to demonstrate compliance because Title I, Part A allocations are made annually.
- ★ LEAs must keep comparability documentation on file for outside review.



# Exemptions

- Schools with 100 or fewer students
- An LEA with only one school for each grade span
- A school with no comparison school in the same grade span grouping by enrollment size



# What Must Be Excluded

An LEA must exclude any resources paid for with federal or private funds.





# Documentation

- We encourage everyone to use the New Comparability Determination Forms on the ESE website.
- **However**, the Traditional Forms are still available and an acceptable method of determining comparability.



# Comparability Instructions & Forms

**New forms are easier to complete and automated.  
The only instructional staff to be listed / used are:**

- ★ EPIMS 1305 Principal
- ★ EPIMS 1310 Assistant/Vice Principal
- ★ EPIMS 2305 Teacher
- ★ EPIMS 2310 Teacher – support content instruction
- ★ EPIMS 2325 Long Term Substitute Teacher
- ★ EPIMS 2330 Instructional Coach
- ★ EPIMS 3329 Guidance Counselor

**REMINDER: Include only staff paid from State and local funds. Exclude staff paid from Title I or other federal funds.**



**1305 Principal/headmaster/headmistress/head of school** Performs the highest level of executive management functions in an individual school, a group of schools or units of a school system. Responsibilities include the administration of instructional programs, extracurricular programs, community relations, operation of the school plant, selection and evaluation of professional and support staff, and the coordination of staff and student activities

**1310 Deputy/associate/vice-/assistance principal** Performs high-level executive management functions in an individual school, group of schools, or units of a school system. Primary duties include but are not limited to: 1) supervising student behavior; 2) handling specific assigned duties related to school management; 3) continuing curriculum and staff development; 4) working cooperatively with professional staff; 5) providing leadership in the instructional program; and 6) coordinating and/or arranging class schedules.

**2305 Teacher** Provides instruction, learning experiences, and care to students during a particular time period or in a given discipline.

**2310 Teacher – support content instruction** Provides supportive content instruction in the classroom. The students receiving services from these educators also receive direct content instruction in core academic areas from a teacher that needs to meet the Highly Qualified teacher requirements, and therefore these educators are not required to meet the highly qualified standard in the content area.

**2325 Long Term Substitute Teacher** An individual temporarily assigned to a specific teaching assignment for a minimum of 30 days.

**2330 Instructional Coach Teacher** that provides support to other teachers such as a mentor teacher.

**3329 Guidance Counselor** Guides individuals by assisting them in problem solving, decision making, discovering meaning, and articulating goals related to personal, education, and career development

## EPIMS Definitions

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# Automated Form: Comparison Schools

forms\_pilot [Read-Only] [Compatibility Mode] - Microsoft Excel

Home Insert Page Layout Formulas Data Review View

Normal Page Layout Page Break Preview Custom Views Full Screen Workbook Views

Ruler Gridlines Message Bar Formula Bar Headings Show/Hide

Zoom 100% Zoom to Selection Zoom

New Window Arrange All Freeze Panes Unhide

Split Hide Reset Window Position View Side by Side Synchronous Scrolling Window

Save Workspace Switch Windows Macros

C1

**Massachusetts Department of Elementary and Secondary Education**

**2010-11 Title I Comparability Documentation (*Pilot Forms*)**

**Summary of Comparison Schools by Gradespan**

**(Used as the comparison group(s) for Title I schools in 'Detailed School Data' worksheet.)**

District Name:

Gradespan	School Size (Smaller or Larger)	COMPARISON SCHOOLS			
		(Comparison schools may include Title I schools if there are no Non-Title I schools in the same gradespan)			
		Total # of Schools	Total Enrollment	Total State and Locally Funded FTE Count	Average ratio

Background Instructions Detailed School Data Comparison Schools Summary Sheet Staff Data

Ready

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# Automated Form: Staff Data

forms\_pilot [Read-Only] [Compatibility Mode] - Microsoft Excel

Home Insert Page Layout Formulas Data Review View

Normal Page Layout Page Break Preview Custom Views Full Screen Workbook Views

Ruler Formula Bar Gridlines Headings Message Bar Show/Hide

Zoom 100% Zoom to Selection

New Window Arrange All Freeze Panes Unhide

Split Hide View Side by Side Synchronous Scrolling Reset Window Position Window

Save Workspace Switch Windows Macros

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**2010-11 Title I Comparability Documentation (Pilot Forms)**

**Staff Data By Individual School**

District Name:

School Name: School Code:

Title I Status:

Select from the drop down lists by clicking in the yellow cells below.

This sheet is for grade span:

Grade Span Split Option Applied (Yes/No):

If Grade Span Split option applied, select school size:

1	2	3
State and Locally Funded School Staff	Grade Level or Function	Full Time Equivalent (FTE)
		Total = 0

Background Instructions Detailed School Data Comparison Schools Summary Sheet Staff Data

Ready

start Microsoft Office ... Microsoft Excel forms\_pilot [Read-Only] Comparability\_SMatz... Inbox - Microsoft Out... Fiscal Information: M... 4:36 PM

# ESE Generated Report

- The ESE is using a newly created database to **monitor** district compliance with comparability.
- The ESE will run reports annually in August (prior year SIMS and EPIMS data) and will notify all districts that may be at risk of non-compliance.





# Sample ESE Automated Report

Comparability\_SMAzzarella\_WORKING DRAFT 9.23.11 [Compatibility Mode] - Microsoft PowerPoint

Woburn.pdf - Adobe Reader

File Edit View Document Tools Window Help

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Find

## FY11 Title I Comparability Report

### Woburn - District Summary

GRADE SPAN	SIZE RANGE	TITLE I SCHOOLS	NON-TITLE I SCHOOLS	SCHOOLS NOT COMPARABLE
ELEMENTARY GRADE SPAN	212 - 506	5	3	0
MIDDLE SCHOOL GRADE SPAN	511 - 557	0	2	0
SECONDARY GRADE SPAN	1359 - 1359	0	1	0

### Woburn - Detailed Report

#### ELEMENTARY GRADE SPAN

	GRADE SERVED	T1 STATUS	LOW INCOME %	SPED %	LEP %	STUDENT ENROLLED	FTE	RATIO	If not comparable Mark 'X'
<b>TITLE I SCHOOLS</b>									
05470005	Clapp	K - 05	TA	10.0	11.9	6.8	370	23.3	15.9
05470025	Linscott-Rumford	K - 05	TA	28.0	11	8.5	223	15.9	14.0
05470043	Shamrock	PK - 05	TA	35.0	11.8	4.3	373	26.5	14.1
05470055	White	K - 05	TA	57.0	18.8	7.5	285	17.0	15.8
05470065	Altavesta	K - 05	TA	50.0	18.2	11.7	213	18.8	11.9
<b>Total Students Enrolled:</b>							<b>1444</b>		
<b>Total FTE:</b>							<b>101.5</b>		
<b>NON-TITLE I SCHOOLS</b>									
05470020	Murphy	K - 05	NT	18.0	9.8	0.9	212	15.8	15.8
05470040	Reeves	PK - 05	NT	20.0	11.3	5.3	506	28.3	17.9
05470060	Wyman	K - 05	NT	18.0	10.9	5.8	220	15.7	14.0
<b>Total Students Enrolled:</b>							<b>938</b>		
<b>Total FTE:</b>							<b>59.5</b>		
<b>Divide Student Enrollment/Instructional Staff = Ratio average for Non-Title I Schools</b>							<b>15.8</b>		
<b>Multiply by 110% = Box Ratio: Title I School Ratio must be less than Box Ratio to be Comparable:</b>							<b>17.4</b>		
<i>If not comparable, place 'X' in column next to Title I school.</i>									

**Box Ratio**

Grade Span with two or more Title I schools but no non-Title I schools: The ratio of the lowest incident of poverty is selected as the comparison group.  
The final ratio: Exclude students and FTEs with less than 100 students or only contains grades PK or K from calculation.

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# What if a School is Not Comparable?

LEAs must take immediate action to adjust school resources. Adjustments may involve:

- Moving Title I funds out of a school
- Replacing them with State or local funds
- Making staffing changes in a school



# ESE Generated Report

- The ESE will run reports again in March (using current year SIMS and EPIMS data).
- Districts in question will be asked to review their staffing data and explain discrepancies or submit hard evidence of student to staff ratios.



# 2012 Comparability

Districts should have comparability documentation on file in their district.

Please call ESE for help completing the forms



# Contact Information

Website: [www.doe.mass.edu/titlei/](http://www.doe.mass.edu/titlei/)

Email: [titlei@doe.mass.edu](mailto:titlei@doe.mass.edu)

Phone: 781-338-6230

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